

Chapter - 5
Human Capital Formation in India

Points to remember

- * Human capital refers to the stock of skill, ability, experties, education and knowledge in a nation at a point of time.
- * Human capital formation is the process of adding to the stock of human capital overtime.
- * Sources of human capital formation
 - (i) Expenditure on education
 - (ii) Expenditure on health
 - (iii) On the job training
 - (iv) Study programmes for adults
 - (v) Migration and expenditure on information
- * Role of human capital formation in economic growth
 - (i) Raises production
 - (ii) Change in emotional and physical envirnment of growth.
 - (iii) Improves quality of life.
 - (iv) Raises life expactancy
 - (v) Innovative skills.
 - (vi) Raises social justice and equality
- * Problems facing human capital formation
 - (i) Rising population
 - (ii) High regional and gender inequality
 - (iii) Brain drain

- (iv) Insufficient man power planning.
- (v) Insufficient on the job training in agriculture
- (vi) High poverty levels
- (vii) Low academic standards

* Importance and objectives of education

- (i) Education produces good citizens.
- (ii) Education facilitates use of resources in the country.
- (iii) Develops science and technology.
- (iv) Expands mental horizon of the people.
- (v) Promotes cultural standard of the citizens.
- (vi) Develops human personality.

* Problems relating to development of education in India.

- (i) Large number of illiterates
- (ii) Inadequate vocationalisation
- (iii) Gender bias
- (iv) Low rural access level
- (v) Low government expenditure on education

* Human capital formation in India

- (i) The seventh five year plan stressed upon the importance of human capital.
- (ii) In India, ministry of education at the centre and state level NCERT, (National Council of Educational Research and Training), UGC (University Grants commission) , AICTE (All India Council of Technical Education) Regulate the education sector.

- (iii) In India, Ministry of Health at the union and the State level and ICMR (Indian Council of Medical Research) regulate the health sector.
- (iv) World Bank states that India will become the knowledge economy. Also if India uses its knowledge as much as Ireland does, than the per capita income will rise \$ 3000 by the year 2020.

* Human capital formation raises the process of Economic Growth and economic growth raises the process of human capital formation

- (i) Rise in human capital raise economic growth -

Rise in Human capital



Modern attitude and outlook, better quality of life,
Higher life expectancy



More Efficiency



More Production



More economic growth

- (ii) Rise in economic growth raises human capital formation -

Rise in Economic growth



Rise in per capita income



More investment in education and health



Rise in human capital

* Education sector in India -

(i) Elementary education

(a) In 2005-06 primary and upper primary schools were 12.83 Lakh and gross enrolment ratio rose to 804 percent.

(b) Various policies are - Sarva Shiksha Abhiyan, Education Gurantee and alternative and innovative education, Mid Day Meal schome, District Primary education Programme, operation black Board and other progrmme.

(ii) Secondary Education -

(a) In 2005-06, 304 Universities, 12178 colleges enrolment of students 104.8 lakh

(b) Indira Gandhi National open University gives distance learning.

(c) UGC controls higher education.

(iv) Expansion of Technical Education -

1265 Engineering colleges, 1215 polytechnical institutes, 268 medical colleges, 38 agricultural universities, 390 community polytechnics.

(v) National Literacy mission was set up in 1988 its movement is "Education for all".

ONE MARK QUESTIONS

1. What is meant by human capital formation?
2. Define human capital.
3. What is investment in education?
4. Which five year plan recognised the importance of human capital?
5. Why do we need to invest in human capital?
6. What is on -the -job training?
7. What is the difference between literacy and education?
8. What do you mean by the term sources of human capital formation?
9. How does human capital formation improve quality of life?
10. Name the movement started by national literacy mission.
11. What is meant by training?

3/4 MARKS QUESTIONS

1. What are three major sources of human capital formation?
2. Explain the concept of human capital formation.
3. How does human capital formation raise social justice?
4. Discuss the growth in government expenditure on education. What does it indicate?
5. Whom do you call literate? How is literacy different from education?
6. How migration promotes human capital formation?
7. Explain how educational planning is necessary for human capital formation.
8. Explain the role of human capital in economic development.

6 MARKS QUESTIONS

1. Explain the sources of human capital formation.
2. Discuss how education is an important input for the development of the nation.
3. Discuss the principal difficulties in the process of human capital formation in India.
4. Give adult and female education position in our country.

5. Bring out the need for on-the-job training in agricultural sector of India.

ANSWERS OF ONE MARK QUESTIONS

1. Human capital formation refers to the process of adding to the stock of human capital overtime.
2. Human capital is the stock of 'skill and expertise' of a nation at a point of time.
3. Expenditure on education by the government is known as investment in education.
4. The seventh five year plan puts in print the importance of human capital in economic growth.
5. It is necessary to invest in human capital and to make use of the physical capital in an efficient manner and to develop man's ability to increase productive capacity of a country.
6. On-the-job training refers to the training provided to the workers by the firm to hone their specialised skills. It makes them more efficient and productive.
7. Education is a much wider concept than literacy literacy refers to the ability to read and write. Education includes three parameters primary, secondary and tertiary education all educated people and literate all literate people are not necessarily educated.
8. Source of human capital formation are the ways of adding to the existing stock of human capital.
9. Literate, healthy, skilled and trained people are an asset for an economy therefore it is the quality of population which means more economic growth.
10. The movement started by national literacy mission is 'Education for all'.
11. Training means to provide skill and knowledge for doing specific work. It increases efficiency.